



BUDGET COMMITTEE



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**Senator Gregg's Senate Floor Statement
on Democrats' Fiscal Year 2009 Budget Resolution
March 13, 2008
(unofficial transcript)**

Mr. President, let me join in complimenting the Chairman of the Committee. He is a fair, professional and very enjoyable person to work with, and whether it's his birthday or he's sick, he does a great job around here. And I think the professionalism that is shown between our staffs especially, which do an extraordinary job when they are put under tremendous pressure, is the way the Senate should work.

Obviously we are here debating and engaging on very significant issues of public policy, but they should stay as political and substantive policy debates, and the actual operation of the Senate and management of a piece of legislation like this needs to be done through cooperation between the two sides. And, as a result of the tenor that the Chairman sets in the Committee, it is.

But as he said, I do disagree with the bill that's brought forward here. In my opinion, it's a lost opportunity of immense proportions. This nation faces so many very significant issues, the most significant of course being the threat of Islamic terrorism and an attack on our shore again.

But that's followed fairly closely by the equally significant issue, in my opinion, of the looming fiscal meltdown of this nation, as a result of the costs which we have put on our children, costs which they will have to bear to deal with the retirement of the Baby Boom generation. In addition, there are issues like tax policy and issues like health care that this country really needs to deal with. And everybody who fills up their car with gasoline any day of the week knows that we'd better get a handle on the cost of energy or we're going to be in big trouble.

This budget does virtually nothing in any of these areas, and in many of these areas, in my humble opinion, significantly aggravates the problems. And the opportunity was there to do things, to take significant steps, to be creative, to be imaginative, to even be bipartisan, which would have been nice. But those opportunities were passed up.

Right up front, this budget underfunds the troops in the field. Now, they're not alone in this. The Administration sent up a budget that did the same thing, but then later, the Secretary of Defense came forward and said what the right number would be. Last year the budget and the Administration reflected a correct number on what was needed for the troops. But this budget grossly underfunds the troops in the field.

Even if you subscribe to the view of some of my colleagues on the other side of the aisle, which is that these troops should come home tomorrow and acknowledge surrender, you can't get them home. They are going to be left in the field without the equipment they need, without the tools they need to fight this war, under the numbers in this budget.

In addition, this budget dramatically expands spending. My colleague loves to use a chart that shows two lines together, and it's only 1%. Well, folks, 1% on \$3 trillion is real money, at least in New Hampshire. That's \$300 billion of increased spending on the discretionary side of the ledger. When you put in the entitlement side of the ledger, it adds up to \$700 billion of increased spending. And it gets built into the baseline. In other words, when you spend that extra \$22 billion this year, which adds up to over \$300 billion over five years, that becomes a figure off of which the next year's spending occurs.

So it gets bigger and bigger and bigger, and it grows and grows and grows. And there's no attempt in this budget to try to discipline spending on the discretionary side of the ledger. But more importantly, there's absolutely no attempt in this budget to discipline spending on the entitlement side of the ledger.

And we know we are facing a fiscal meltdown as a result of the costs of Medicare, Medicaid, and Social Security when this huge generation, which I'm a member of, and of which my colleague is a member, retires. \$66 trillion of unfunded liability will be put on the backs of our children. What does that mean? That means that their taxes will go up so much in order to support our generation that they will be unable to afford the lifestyle which our generation has had. They won't be able to send their kids to college. They won't be able to buy that first house. They won't be able to enjoy the comforts of a lifestyle of affluence that this country has attained, the most affluent nation in the world, because entitlement costs will not be able to be borne.

And this bill does absolutely nothing in this area. Why? Why do we leave this problem to the next generation? We're the ones that are creating this problem. The Administration at least had the courage to send up a whole series of ideas, and they were all fair and they were all reasonable. And none of them impacted the vast majority of Medicare beneficiaries or Social Security beneficiaries.

Yes, they did impact Warren Buffet. They are suggesting the Warren Buffets of this world, the people who have high incomes, people who have over \$80,000 of personal income or \$160,000 of joint income, that they should pay a fair portion of the cost of their health insurance under Medicare. Today, they pay virtually nothing. But that idea wasn't included in this bill, although there will be an amendment to try to put it in the bill.

Ideas on improving technology weren't included. Ideas on improving malpractice weren't included. All ideas which could have gotten entitlement spending partially under control - in fact, the Administration proposals would have reduced the out-year liability that we're passing on to our children, which they can't afford, reduced that liability by almost one-third in the area of Medicare. Nothing in this bill, absolutely zero. How much savings is in this bill in discretionary accounts? Zero. How much in entitlement accounts in net savings? Zero. In both accounts, significant expansions in spending.

Then there are the games. This bill is replete with games to try to make it look like it's more reasonable and fair and cost-effective than it is. The most obscene game being played around here is the reconciliation instructions. Reconciliation, as we know, those of us who work here, is the one tool of significance which the Budget Committee has. It allows us to change how programs are funded and slow their rate of growth and do it without being subjected to the filibuster rule. It is a vehicle basically directed on the purposes of the Senate.

What happened in this bill? There is no talk of reconciliation. What happens on the House side? They have a reconciliation instruction, which is a fig leaf instruction under which they intend to build a massive expansion of programmatic activity. The House doesn't need the appropriation. The House is doing the dirty work because the Democratic side is unwilling to put forward what they are planning to do here. It is the ultimate cynical game of hide-and-seek with the budget. That's why I call this the "fudge-it" budget.

There is also a "fudge-it" number in this budget and that is the alleged tax gap that the Senator from North Dakota talks about so much. He talked about it last year. Last year he said we could get \$300 billion. We got zero. In fact, we ended up cutting the IRS last year, the other side did, so they couldn't collect as effectively as they were collecting the dollars that were coming in. There's no record at all that this tax will be collected. You should not be taking credit for it and claiming that's the way you will pay for the tax increases in the budget.

This budget does have tax increases. Again, the Chairman says it's only 2.6% on \$3 trillion, which is approximately \$800 billion. What does it mean in real terms? Well, it means that they are going to let expire the tax rates on capital gains, dividends, estate taxes, R&D credit, energy credit, on tuition tax credit, on a whole series of items that benefit a lot of Americans.

The claim that we hear on the Democratic side, is 'We will tax the rich, tax the rich, tax the rich. We can pay for everything, just tax the rich.' Take the top tax rate from 35% to the Clinton-year level, which was 39.6%, and you raise \$25 billion a year. You can't pay for even 10% of what the Democratic Party is planning to spend with \$25 billion a year. They have \$300 billion in this budget alone. Senator Obama has proposed another \$300 billion of annual increases in spending. They're short hundreds of billions in tax revenue by taxing the rich.

Where is that money going to come from? I will tell you. It's obvious. It's going to come from hard-working middle-class American families. Our estimate is this tax package is going to cost the average small business an extra \$4,100 a year. Small businesses are the backbone of American job creation. This budget is a direct attack on their capacity to create jobs, with that type of a tax increase. It will cost the average senior in America, 18 million seniors, \$2,200 more each. That's what this package will cost. Tax increases to pay for the spending in the program.

My colleague on the other side of the aisle is fond of saying, 'We didn't raise taxes last year. Our budget is not going to raise them.' The budget has built into it the expectation that taxes are going to go up by \$1.2 trillion and they spend the money so they have to raise the taxes. So they can't claim it both ways. But they try to. That's why I call it the "fudge-it" budget. 43 million American families will have to pay \$2,300 more to pay for this budget and that does not count what Senators Clinton and Obama are proposing.

Senator Obama is proposing \$330 billion every single year, doubling this figure. So American families would have to pay almost \$4,500 a year more if the Obama plan for spending, which mirrors Senator Clinton's proposals, were put in place. Those aren't rich families, but every family that pays taxes of any significance, families who make more than \$50,000. Individuals who make more than \$30,000, that's who has to pay this tax.

The great irony, of course, is we hear, as I mentioned before, 'we will tax the rich.' Well, in this budget, they already assume the tax rates on the wealthy are going from 35% to 39.6% in years 2011 and 2012 and then they spend that money. So when the proposals come forward from the presidential candidates and they say we will put in another \$330 billion on the books of new spending, but we will get it from the rich, well, they have already taxed the rich. That's already assumed in here.

Who is going to pay for it? Working, average Americans will pay if it. Small businesses are going to pay for it. Nothing will stifle an economy more than that. This check reflects it: Americans under this budget are going to have to write Uncle Sam a check for \$2,300 more a year. Because the spending is built into the baseline and the taxes are coming down the road.

It is, regrettably, in my opinion, a budget of missed opportunities and a budget that's misdirected. What we need in this country is the willingness to step forward and take aggressive steps to get spending under control, especially in the area of entitlements, and to reform our tax laws so they are more efficient and more effective in collecting obligations. But none of that is assumed in this budget. And none of it is attempted in this budget.

Whether you agree with that or the policies in fighting terrorism which the President is pursuing or not, you have to feel the troops need support. And this budget does not have the support in it. We need to have a budget that doesn't constantly game itself where we set up alleged enforcement mechanisms like Pay-Go and then manipulate the budget

where we go around those enforcement mechanisms. We need to have something in here that affects the integrity of the few disciplining initiatives we have, rather than have true cynicism set up a scenario where we will game the reconciliation instructions to use it to expand the size of government instead of controlling the rate of growth of government.

And, most importantly, we need a budget that understands that it's not our money. It's not the federal government's money. It's not the Members of Congress' money. It's people working out there every day trying to make ends meet, trying to fill up their gas tanks, trying to pay the heat in their house, trying to send their kids to school, trying to pay their mortgage. It's their money, for goodness sakes. But around here it's treated like it's our money, and like it's a generous act on our part to let people keep their money.

Well, the purpose of the budget should be to structure itself so that we control spending in a manner that allows us to keep taxes under control, and doesn't raise the tax burden on working American families. Madam President, we will vote a long time on a lot of issues and a lot of these issues will be raised during the votes. I appreciate the courtesy of the Senator from North Dakota and the way we have gotten to this point, but I obviously disagree with the budget as it is presented.